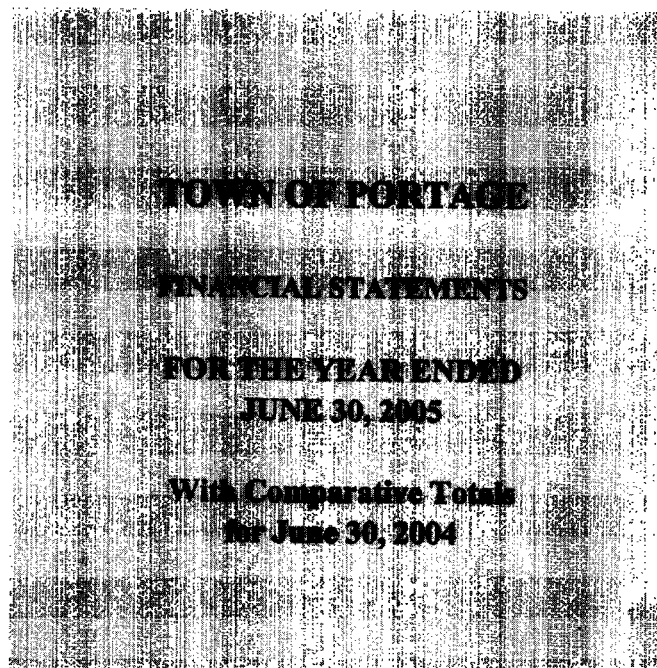




Peterson
Allred
Jackson



▪ Certified Public Accountants
Business Consultants

2100 North Main • North Logan, Utah 84341

Phone (435) 752-6441

Fax (435) 752-6451

Email firm@pajcpa.com

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INTRODUCTORY SECTION



Town of Portage

P.O. Box 4

Portage, Utah 84331

Mayor - Keith Wadman

Phone 435-866-2108 Email - portagetown@citlink.net

Council Members: Georgia Henry, Kenneth D. White, Bud Knudsen, Bill Hawkes

November 30, 2005

Portage Town Council
Portage, Utah

Council:

It is with great pleasure that the financial statements for the Town of Portage for the year ended June 30, 2005, is presented.

In addition to the fund financial information currently presented in the Town's financial statements, this report includes government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net assets of the Town including all capital assets (including infrastructure) and the Statement of Activities that shows the cost of providing government services.

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and compiled in accordance with statements on standards for accounting and review services issued by the American Institute of Certified Public Accountants by a firm of licensed certified public accountants. These financial statements are hereby issued and submitted to you for the fiscal year ended June 30, 2005, in accordance with these requirements.

This report consists of management's representations concerning the finances of the Town of Portage. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the Town from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

I wish to express my appreciation to all members of the Town who assisted and contributed to the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bill Wadman". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Mayor Wadman
Town of Portage

FINANCIAL SECTION

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Peterson
Allred
Jackson

* Certified Public Accountants
Business Consultants

INDEPENDENT ACCOUNTANT'S REPORT

Honorable Mayor and Town Council
Town of Portage
Portage, Utah

We have compiled the financial statements of the Town of Portage, Utah (the Town), as of and for the year ended June 30, 2005, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of officials of the Town of Portage. We have not audited or reviewed the accompanying financial statements and accordingly, do not express an opinion or any other form of assurance on them.

The Management's Discussion and Analysis on pages 9 - 13, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit or review the information and express no opinion on it.

Peterson Allred Jackson

November 30, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Portage, we offer readers of the Town of Portage's financial statements this narrative overview and analysis of the financial activities of the Town of Portage for the fiscal year ended June 30, 2005.

FINANCIAL HIGHLIGHTS

- The total net assets of \$577,840 is made up of \$514,831 in capital assets net of related debt and \$63,009 in other net assets.
- In the Enterprise Fund, revenues exceeded expenditures by \$8,369.
- In the General Fund, expenditures exceeded revenues \$12,292.

REPORTING THE TOWN AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the Town of Portage's basic financial statements. The Town of Portage's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Portage's finances, in a manner similar to a private-sector business.

- The statement of net assets presents information on all of the Town of Portage's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Portage is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the Town of Portage that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 15 & 16 of this report.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Portage also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds, and proprietary funds.

- Governmental funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental fund (as determined by generally accepted accounting principles) is the General Fund.

- Proprietary funds - The Town of Portage maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Portage uses enterprise funds to account for its Water Utility.

As determined by generally accepted accounting principles, all enterprise funds meet the criteria of major fund classification.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Portage, assets exceed liabilities by \$577,840.

By far the largest portion of the Town of Portage's net assets (89%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

STATEMENT OF NET ASSETS

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
Current and other assets	\$ 48,619	\$ 52,900	\$ 29,204	\$ 35,356
Capital assets	348,422	361,910	166,409	154,341
Total assets	\$ 397,041	414,810	195,613	189,697
Other liabilities	14,722	20,199	92	2,545
Total liabilities	14,722	20,199	92	2,545
Net assets:				
Invested in capital assets	348,422	361,910	166,409	154,341
Restricted	30,789	27,975	-	-
Unrestricted	3,108	4,726	29,112	32,811
Total net assets	\$ 382,319	\$ 394,611	\$ 195,521	\$ 187,152

CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
Revenues:				
Program revenues:				
Charges for services	\$ 9,889	\$ 11,351	\$ 27,845	\$ 18,673
Capital grants & contributions	20,640	27,252	-	-
Operating grants & contribution	43,980	64	6,096	22,029
General revenues:				
Property taxes	11,174	13,703	-	-
Other taxes	20,369	18,281	-	-
Investment income	1,168	637	63	173
Total revenues	107,220	71,288	34,004	40,875
Expenses:				
General government	18,236	23,966	-	-
Public safety	39,203	11,315	-	-
Highways/public improvements	49,548	40,077	-	-
Parks & recreation	12,525	10,302	-	-
Water	-	-	25,635	46,499
Total expenses	119,512	85,660	25,635	46,499
Increase (decrease) in net assets	(12,292)	(14,372)	8,369	(5,624)
Net assets, beginning of year	394,611	408,983	187,152	192,776
Net assets, end of year	\$ 382,319	\$ 394,611	\$ 195,521	\$ 187,152

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements.

As of June 30, 2005, the Town's governmental fund (General) reported a fund balance of \$33,897. This represents an increase of \$1,196 (3.6%) over last year's ending balances.

The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 29% of total general fund revenues. The largest element of taxes is sales taxes. It represents 65% of total tax revenues and represents 19% of total general fund revenues. This compares with 26% in the prior fiscal year ended June 30, 2004.

As stated earlier, the Town maintains one enterprise fund to account for the business-type activities of the Town. The separate fund statements included in this report provides the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

Significant changes in the governmental funds include an increase in restricted cash of \$5,273.

Significant changes in business-type activities include the receipt and expenditure of \$6,096 of CDBG grant funds. The Town also purchased \$22,520 in water shares.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year the General Fund original budget was amended from an original budget expenditure total of \$79,829 to a final budget of \$67,490. Changes resulted in decreases in administration, park and fire department expenses.

CAPITAL ASSET ADMINISTRATION

Capital assets- The Town of Portage's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$514,831 (net of accumulated depreciation) infrastructure (streets, sidewalks, etc.), and machinery and equipment. The total decrease in the Town's investment in fixed assets for the current year was .3% (due to depreciation exceeding new purchases).

TOWN OF PORTAGE'S CAPITAL ASSETS

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Land	\$ 19,938	\$ 25,314
Buildings and improvements	84,762	—
System improvements	--	418,073
Infrastructure	673,057	—
Machinery & equipment	60,704	—
Less: Accumulated depreciation	<u>(490,039)</u>	<u>(276,978)</u>
Total	<u>\$ 348,422</u>	<u>\$ 166,409</u>

Additional information on the Town's capital assets can be found in the footnotes to this financial report.

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TOWN OF PORTAGE
STATEMENT OF NET ASSETS
JUNE 30, 2005
With Comparative Totals for June 30, 2004

ASSETS	Governmental Activities	Business-type Activities	2005 Total	2004 Total
Cash	\$ 3,493	\$ 27,961	\$ 31,454	\$ 44,497
Account receivable	-	1,243	1,243	1,475
Taxes receivable	14,337	-	14,337	14,309
Restricted cash	26,457	-	26,457	21,184
Restricted accounts receivable	4,332	-	4,332	6,791
Capital assets				
Land and water rights	19,938	25,314	45,252	22,732
Buildings and improvements	84,762	-	84,762	71,198
System improvements	-	418,073	418,073	418,073
Infrastructure	673,057	-	673,057	673,057
Machinery & equipment	60,704	-	60,704	45,494
Less: Accumulated Depreciation	(490,039)	(276,978)	(767,017)	(714,303)
Total assets	<u>\$ 397,041</u>	<u>\$ 195,613</u>	<u>\$ 592,654</u>	<u>\$ 604,507</u>
LIABILITIES				
Accounts payable	1,722	92	1,814	9,744
Deferred revenue	13,000	-	13,000	13,000
Total liabilities	<u>14,722</u>	<u>92</u>	<u>14,814</u>	<u>22,744</u>
NET ASSETS				
Invested in capital assets	348,422	166,409	514,831	516,251
Restricted for:				
Roads and town improvements	30,789	-	30,789	27,975
Unrestricted	3,108	29,112	32,220	37,537
Total Net Assets	<u>\$ 382,319</u>	<u>\$ 195,521</u>	<u>\$ 577,840</u>	<u>\$ 581,763</u>

See accompanying notes and accountant's report.

TOWN OF PORTAGE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005
With Comparative Totals for June 30, 2004

	Program Revenues						Business-type Activities	2005 Total	2004 Total
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Net Governmental Activities				
Governmental activities:									
General government	\$ 18,236	\$ 3,089	\$ -	\$ -	\$ (15,147)	\$ -	\$ (15,147)	\$ (20,189)	
Public Safety	39,203	5,927	43,980	-	10,704	-	10,704	(4,132)	
Highways & public improvements	49,548	-	-	20,640	(28,908)	-	(28,908)	(12,825)	
Parks, recreation & public property	12,525	873	-	-	(11,652)	-	(11,652)	(9,847)	
Total governmental activities	119,512	9,889	43,980	20,640	(45,003)	-	(45,003)	(46,993)	
Business-type activities:									
Water	25,635	27,845	6,096	-	-	8,306	8,306	(5,797)	
Total business-type activities	25,635	27,845	6,096	-	-	8,306	8,306	(5,797)	
General Revenues:									
Taxes:									
Property taxes levied for general purposes					11,174	-	11,174	13,703	
General sales taxes					20,369	-	20,369	18,281	
Investment income					1,168	63	1,231	810	
Total general revenues					32,711	63	32,774	32,794	
Change in net assets					(12,292)	8,369	(3,923)	(19,996)	
Net assets - beginning					394,611	187,152	581,763	601,759	
Net assets - ending					\$ 382,319	\$ 195,521	\$ 577,840	\$ 581,763	

See accompanying notes and accountant's report.

**TOWN OF PORTAGE
GOVERNMENTAL FUNDS TYPE
BALANCE SHEET
JUNE 30, 2005
With Comparative Totals for June 30, 2004**

		Total Governmental Funds	
		2005	2004
ASSETS			
Cash	\$	3,493	\$ 10,616
Taxes receivable		14,337	14,309
Restricted assets:			
Cash		26,457	21,184
Accounts receivable		4,332	6,791
Total assets	\$	48,619	\$ 52,900
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$	1,722	\$ 7,199
Deferred revenue		13,000	13,000
Total liabilities		14,722	20,199
Fund Balance:			
Reserved for roads		30,789	27,975
Unreserved - undesignated		3,108	4,726
Total fund balance		33,897	32,701
Total liabilities and fund balance	\$	48,619	\$ 52,900
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$	348,422	\$ 361,910
Fund balance, governmental funds		33,897	32,701
Net assets reconciled to the Statement of Activities	\$	382,319	\$ 394,611

See accompanying notes and accountant's report.

**TOWN OF PORTAGE
GOVERNMENTAL FUNDS TYPE
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005
With Comparative Totals for June 30, 2004**

	<u>Total Governmental Funds</u>	
	<u>2005</u>	<u>2004</u>
Revenues:		
Taxes & special assessments	\$ 31,543	\$ 31,984
Licenses and permits	182	900
Intergovernmental	64,620	27,316
Investment income	1,168	637
Miscellaneous	<u>9,707</u>	<u>10,451</u>
Total revenues	<u>107,220</u>	<u>71,288</u>
Expenditures:		
Current:		
General government	29,756	24,100
Public safety	48,910	9,478
Highways & public improvements	15,895	6,424
Parks, recreation & public property	<u>11,463</u>	<u>14,088</u>
Total expenditures	<u>106,024</u>	<u>54,090</u>
Excess of revenues over expenditures	1,196	17,198
Fund balances, beginning of year	<u>32,701</u>	<u>15,503</u>
Fund balances, end of year	<u>\$ 33,897</u>	<u>\$ 32,701</u>

See accompanying notes and accountant's report.

**TOWN OF PORTAGE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

Net change in fund balances - total governmental funds \$ 1,196

Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenues, expenditures, and changes in fund balance because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

(13,488)

Change in net assets of governmental activities

\$ (12,292)

**TOWN OF PORTAGE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2005**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Taxes:				
General property taxes	\$ 14,400	\$ 15,400	\$ 11,174	\$ (4,226)
General sales & use taxes	18,600	18,000	20,369	2,369
Total taxes	33,000	33,400	31,543	(1,857)
Licenses & permits:				
Non-business licenses & permits	400	200	182	(18)
Total licenses & permits	400	200	182	(18)
Intergovernmental revenues:				
Class "C" roads	26,000	23,000	20,640	(2,360)
State liquor allotment	60	60	81	21
Grants	12,859	12,859	43,899	31,040
Total intergovernmental revenues	38,919	35,919	64,620	28,701
Miscellaneous:				
Interest	1,015	1,100	1,168	68
Other	8,450	1,000	9,707	8,707
Total Miscellaneous	9,465	2,100	10,875	8,775
Total Revenues	\$ 81,784	\$ 71,619	\$ 107,220	\$ 35,601

See accompanying notes and accountant's report

**TOWN OF PORTAGE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
(CONTINUED)
YEAR ENDED JUNE 30, 2005**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE (NEGATIVE)</u>
EXPENDITURES				
General government:				
Administration & Town hall	\$ 43,009	\$ 36,070	\$ 29,756	\$ 6,314
Total general government	43,009	36,070	29,756	6,314
Public Safety:				
Fire department	9,570	2,870	48,910	(46,040)
Total Public Safety	9,570	2,870	48,910	(46,040)
Highways & public improvements:				
Streets	13,250	16,250	15,895	355
Total highways & improvements	13,250	16,250	15,895	355
Parks, Recreation & Public Property:				
Parks and open spaces	14,000	12,300	11,463	837
Total parks, recreation & public property	14,000	12,300	11,463	837
TOTAL EXPENDITURES	79,829	67,490	106,024	(38,534)
Net change in fund balance	1,955	4,129	1,196	(2,933)
Fund Balance at beginning of year	32,701	32,701	32,701	-
Fund Balance at end of year	\$ 34,656	\$ 36,830	\$ 33,897	\$ (2,933)

See accompanying notes and accountant's report.

TOWN OF PORTAGE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005
With Comparative Totals for June 30, 2004

	<u>WATER UTILITIES</u>	
	<u>2005</u>	<u>2004</u>
ASSETS		
Current assets:		
Cash	\$ 27,961	\$ 33,881
Accounts receivable	<u>1,243</u>	<u>1,475</u>
Total current assets	<u>29,204</u>	<u>35,356</u>
Capital assets		
Land and water rights	25,314	2,794
System improvements	418,073	418,073
Less Accumulated depreciation	<u>(276,978)</u>	<u>(266,526)</u>
Total capital assets	<u>166,409</u>	<u>154,341</u>
TOTAL ASSETS	<u>195,613</u>	<u>189,697</u>
LIABILITIES		
Current liabilities:		
Accounts payable	<u>92</u>	<u>2,545</u>
Total current liabilities	<u>92</u>	<u>2,545</u>
NET ASSETS		
Invested in capital assets	166,409	154,341
Unrestricted	<u>29,112</u>	<u>32,811</u>
Total net assets	<u>\$ 195,521</u>	<u>\$ 187,152</u>

See accompanying notes and accountant's report.

TOWN OF PORTAGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005
With Comparative Totals for June 30, 2004

	<u>WATER UTILITIES</u>	
	<u>2005</u>	<u>2004</u>
OPERATING REVENUES:		
Charges for services	\$ 27,845	\$ 18,673
Grants	6,096	22,029
Total operating revenues	<u>33,941</u>	<u>40,702</u>
OPERATING EXPENSES		
Salary and wages	4,238	3,130
Other operating expenses	4,498	29,445
Supplies	6,447	3,472
Depreciation	10,452	10,452
Total operating expenses	<u>25,635</u>	<u>46,499</u>
Operating income	<u>8,306</u>	<u>(5,797)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	<u>63</u>	<u>173</u>
Total non-operating revenue (expense)	<u>63</u>	<u>173</u>
Change in net assets	8,369	(5,624)
Total net assets - beginning	<u>187,152</u>	<u>192,776</u>
Total net assets -ending	<u>\$ 195,521</u>	<u>\$ 187,152</u>

See accompanying notes and accountant's report.

**TOWN OF PORTAGE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005
With Comparative Totals for June 30, 2004**

	<u>WATER UTILITIES</u>	
	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 28,077	\$ 17,680
Payments to suppliers	(7,302)	(8,808)
Payments to employees	(4,238)	(3,130)
Net cash provided (used) by operating activities	<u>16,537</u>	<u>5,742</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	63	173
Purchase of water shares	(22,520)	-
Net cash provided (used) by investing activities	<u>(22,457)</u>	<u>173</u>
Net increase (decrease) in cash and cash equivalents	(5,920)	5,915
Cash and equivalents at beginning of year	<u>33,881</u>	<u>27,966</u>
Cash and equivalents at end of year	<u>\$ 27,961</u>	<u>\$ 33,881</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 8,306	\$ (5,797)
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	10,452	10,452
Changes in assets & liabilities:		
Decrease (increase) in receivables	232	(993)
Increase (decrease) in accruals	(2,453)	2,080
Total adjustments	<u>8,231</u>	<u>11,539</u>
Net cash provided (used) by operating activities:	<u>\$ 16,537</u>	<u>\$ 5,742</u>

See accompanying notes and accountant's report.

TOWN OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Note 1: Summary of significant accounting policies

Reporting entity

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparations of the accompanying financial statements.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Town applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Town are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Sales taxes and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenues are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

The Water Utility accounts for the activities of the Town's water production, treatment, and distribution operations.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fixed assets and long-term liabilities

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible fixed assets used is charged as an expense against their operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Water and sewer system improvements	30-35 years
Buildings	20 years
Machinery and equipment	3-5 years
Roads and infrastructure	20 years
Improvements other than buildings	20 years

Property Tax

Box Elder County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The Town should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalty bear interest at 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the Town in its governmental funds, therefore all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital project funds.

The Town can make adjustments to the adopted budget through public hearings. During the fiscal year, the Town made budget adjustments through a public hearing.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the business-type activities considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governments fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 838,461
Accumulated depreciation	<u>(490,039)</u>
Total difference	<u>\$ 348,422</u>

B. Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 28,774
Depreciation expense	<u>(42,262)</u>
Net difference as reported	<u>\$(13,488)</u>

Note 2: Legal Compliance - Budgets/Statutory

On or before the first scheduled council meeting in May, all agencies of the Town submit requests for appropriation to the Town's financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the Town council for review at the first scheduled meeting in May. The Town council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the Town financial officer or the revenue estimates must be changed by an affirmative vote of a majority of the Town council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly.

State statute requires that Town officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

Note 3: Cash

The Town follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 541, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of Town funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the Utah Commissioner of Financial Institutions as meeting the requirements of, and adhering to, the rules of the Utah Money Management Council.

The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the Town and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers. All cash and invested accounts are insured, registered, or held by the Town or its agent in the Town's name.

All cash and savings accounts are deposited in the following accounts. Of the bank deposit balances all amounts were covered by FDIC insurance.

	<u>Carrying Amount</u>	<u>Bank Balance</u>
<u>Checking:</u>		
Bank of Utah - Insured (FDIC)	\$ 51,882	\$ 55,405
Bank of Utah - Insured (FDIC)	5,986	6,862
Bank of Utah - Insured (FDIC)	43	43

Note 4: Accounts/taxes receivable

Accounts receivable as of June 30, 2005, are due as follows:

General fund:	
Property taxes	\$ 14,337
Water fund:	
Water service	<u>1,243</u>
Total accounts/taxes receivable	<u>\$ 15,580</u>

Note 5: Restricted assets

The total restricted assets on the balance sheet are comprised of the following cash and receivables:

General fund:	
Accounts receivable - Class C	<u>\$ 4,332</u>
Total general fund	<u>\$ 4,332</u>

Note 6: General fixed assets

General fixed asset changes occurring for the year ended June 30, 2005, are as follows:

	Balance July 1, <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2005</u>
Land	\$ 19,938	\$	\$	\$ 19,938
Buildings	71,198	13,564		84,762
Infrastructure	673,057			673,057
Furniture, fixtures and equipment	<u>45,494</u>	<u>15,210</u>	<u>—</u>	<u>60,704</u>
SUBTOTAL	809,687	28,774		838,461
Accumulated depreciation	<u>(447,777)</u>	<u>(42,262)</u>	<u>—</u>	<u>(490,039)</u>
NET CAPITAL ASSETS	<u>\$361,910</u>	<u>\$(13,488)</u>	<u>\$ —</u>	<u>\$ 348,422</u>

Depreciation for the general fund is allocated in the following manner:

General government	\$ 2,044
Public safety	5,503
Streets & highways	33,653
Parks & recreation	<u>1,062</u>
Total general depreciation	<u>\$ 42,262</u>

Note 7: Accounts Payable

Accounts payable consist of amounts incurred and due at June 30, 2005, but which had not been paid.

Note 8: Utility users

Portage Town's utility services are utilized by residential users only and as of June 30, 2005, the number of users and rates are as follows:

	<u>Water</u>
Residential	98
Commercial	<u>3</u>
Total	<u>101</u>

Water rates:

Standard monthly services \$ 20.00

Note 9: Segment information

The following information is presented for the water utility fund of Portage Town:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
<u>Water fund:</u>				
Fixed assets	\$ 420,867	\$ 22,520	\$	\$ 443,387
Accumulated depreciation	266,526	10,452		276,978

Net working capital for the water utility fund is calculated as follows:

	<u>Water Fund</u>
Current assets:	
Cash	\$ 27,961
Receivables	1,243
Less current liabilities:	
Accounts payable	<u>(92)</u>
Net Working Capital	<u>\$ 29,112</u>

Note 10: Reserved fund equity

Amounts reported on the combined balance sheet identified as reserved fund balance and reserved retained earnings are comprised of the following:

General fund:

Reserved - Class C roads	<u>\$ 30,789</u>
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Total reserved fund equity	<u>\$ 30,789</u>
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SUPPLEMENTAL SECTION



Peterson
Alfred
Jackson

▪ Certified Public Accountants
Business Consultants

INDEPENDENT ACCOUNTANT'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and Town Council
Town of Portage
Portage, Utah

We have compiled the financial statements of the Town of Portage, Utah (the Town), as of and for the year ended June 30, 2005, and have issued our report thereon dated November 30, 2005. As part of our compilation, we have observed the Town's compliance with requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The Town received the following major State assistance programs from the State of Utah:

B & C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Our observation also included test work on the Town's compliance with those general compliance requirements identified in the, State of Utah Legal Compliance Audit Guide, including:

Public Debt	B & C Road Funds
Cash Management	Truth in Taxation and
Purchasing Requirements	Property Tax Limitations
Budgetary Compliance	Other Compliance Requirements
Liquor Law Enforcement	

The management of the Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to summarize compliance with those requirements based on our compilation.

The results of our procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter.

We conducted our compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards are limited primarily to presenting in the form of financial statements information that is the representation of the officials of the Town of Portage. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or any other form of assurance on them.

Peterson Alfred Jackson

November 30, 2005



Peterson
Alfred
Jackson

▪ Certified Public Accountants
Business Consultants

November 30, 2005

Honorable Mayor and Town Council
Town of Portage
Portage, Utah

Dear Mayor Wadman:

In planning and performing our compilation of the financial statements of Portage, Utah (the Town), for the year ended June 30, 2005, we developed the following recommendations concerning certain matters related to compliance, internal control structure (other than "reportable conditions"), and certain administrative and operating matters. These recommendations resulted from our observations made in connection with our compilation of the Town's financial statements for the year ended June 30, 2005, and are not based on a special study. Our comments and principal recommendations are summarized below.

PRIOR YEAR FINDINGS

Finding: *Budgetary Compliance.* During our review of the budget to actual for the departments of the Town, we became aware that one department's actual expenditures exceeded the appropriations.

Recommendations: We recommend that the Town monitor expenditures closely and provide for expenditures for goods and services received prior to the fiscal year end with payment to be made subsequent to the year end.

Management response: The Town will review the budget before the end of the year and will make adjustments as needed. Special attention will be paid for potential year-end payables.

Status: One department exceeded appropriations at 6/30/05. See current year finding.

Finding: Bank deposits. The Town does not, on all occasions, make their bank deposits within a three day period of receiving monies.

Recommendation: We recommend the receipting and depositing of utility billings within a three day period from the day received.

Management response: The Town will make all efforts possible to deposit funds within the three day requirement.

Status: The Town is making deposits within three business days.

CURRENT YEAR FINDINGS

Finding: Budgetary Compliance. During our review of the budget to actual for the departments of the Town, we became aware that one department's actual expenditures exceeded the appropriations.

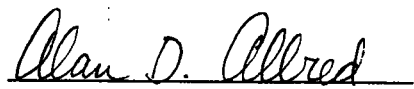
Recommendations: We recommend that the Town monitor expenditures closely and provide for expenditures for goods and services received prior to the fiscal year end with payment to be made subsequent to the year end. Special care should be taken with fire department grant revenues and expenses.

Management response: The Town will monitor all incoming fire department grants and expenses and will adjust the budget as needed.

In conclusion, we wish to recognize all personnel and administrators for their excellent service provided to the Town of Portage. The performance by the Town of necessary procedures needed to produce accurate accounting records has made this an enjoyable experience for us, and we would like to thank the Town for the opportunity to serve you.

Very truly yours,

PETERSON ALLRED JACKSON


Alan D. Allred, CPA

Town of Portage

Mayor

Larry Howell

Council Members:

Jay Briscoe — Plan/Zoning

Georgia Henry — Streets

Martina John — Water/Fire Dept

Bud Knudsen — Parks

25880 N. 9000 W.

P.O. Box 4

Portage, Utah, 84331

Phone/Fax: 435-866-2108

Town Recorder: Grant Smith

Town Treasurer: Deborah Lucas



TO: Richard Moon
Office of the State Auditor, Local Government Division
PO Box 142310
Salt Lake City, Utah 84114-2310

FROM: Town of Portage
Office of the Mayor

DATE: February 9, 2006

SUBJECT: 2006 Budget Noncompliance Finding Response.

Dear Mr. Moon:

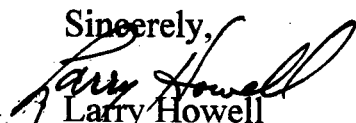
The Town of Portage has developed the following action plan to correct and prevent future problems with Budgetary Compliance where our fire departments reported expenditures exceeding budgeted appropriations.

The mayor and fire chief will more closely monitor the fire departments grant monies to make sure that they are properly documented in the fire departments revenues and expenses sections in the town budget.

Adjustments will be made to these sections as grant funds are acquired and spent throughout the year and the year ending fiscal accounting will reflect the total funds acquired and spent by the fire department.

This action will begin immediately and will be completed by June 30, 2006. If you need additional information, please let me know.

Sincerely,


Larry Howell
Mayor